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REPORT FROM THE COMMISSION TO THE COUNCIL
**on the implementation of the financial assistance provided to the Overseas Countries
and Territories under the 11th European Development Fund**

Introduction

The Overseas Association Decision¹ (OAD) establishes the legal framework for the relations between the Overseas Countries and Territories² (OCTs), the Member States to which they are linked and the European Union. According to the Treaty on the Functioning of the European Union³ (TFEU), the purpose of the Overseas Association Decision is to support the sustainable development of the OCTs and promote the values of the Union in the wider world.

Financial support to the OCTs is provided mainly through the European Development Fund (EDF), with an amount of EUR 364.5 million allocated under the 11th EDF for the 2014-2020 programming period⁴.

In compliance of Article 91 of the OAD, this report highlights the progress achieved in the implementation of 11th EDF resources for OCTs for the year 2016.

Financial Resources under the 11th EDF-OCT

The 11th EDF resources available to OCTs is split into the following allocations, based on Annex 2 of the Overseas Association Decision:

- EUR 229.5 million for the territorial (bilateral) allocations;
- EUR 100 million for regional cooperation and integration;
- EUR 21.5 million to finance humanitarian and emergency assistance, or assistance for fluctuations in export earnings;
- EUR 5 million to finance interest subsidies and technical assistance through the EIB's OCT Investment Facility;
- EUR 8.5 million for studies and technical assistance in accordance with Article 81 of the OAD.

In accordance with the criteria established in the OAD, **sixteen OCTs are considered eligible for a territorial allocation under the 11th EDF**⁵. It should be noted that Greenland is funded directly by the EU general budget on the basis of the "Greenland Decision"⁶.

Regional programmes seek to foster cooperation among OCTs of the same region and sharing a similar set of challenges and priorities. Actions financed under the regional

¹ Council Decision 2013/755/EU on the Association of the Overseas Countries and Territories with the European Union

² The EU's Overseas Countries and Territories are Greenland, New Caledonia and Dependencies, French Polynesia, French Southern and Antarctic Territories, Wallis and Futuna Islands, Saint Pierre and Miquelon, Saint-Barthélemy, Aruba, Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten, Anguilla, Cayman Islands, Falkland Islands, South Georgia and the South Sandwich Islands, Montserrat, Pitcairn, Saint Helena and Dependencies (now denominated Saint Helena, Ascension and Tristan da Cunha), British Antarctic Territory, British Indian Ocean Territory, Turks and Caicos Islands, British Virgin Islands, Bermuda.

³ Part Four of the Treaty on the Functioning of the European Union, (C 326/47 of 26.10.2012)

⁴ L210/1 of 6.8.2013 - Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies

⁵ Annex 1 to this report includes the list of indicative individual territorial and regional allocations.

⁶ Council Decision 2014/137/EU on relations between the EU on the one hand and Greenland and the Kingdom of Denmark on the other, allocates EUR 217.8 million for the period 2014-2020 to cooperation between the Union and Greenland in an area of mutual interest.

allocation support the elaboration and implementation of comprehensive regional programmes and projects for addressing these challenges. Partnerships with other funding sources, including other European Union financial instruments, through cooperation with the neighbouring ACP and/or third countries, as well as the EU's Outermost Regions, are actively encouraged.

Programming process for the 11th EDF-OCT

The OAD⁷ establishes a **programming process which is specific to OCTs**. Unlike countries of the African Caribbean Pacific group (ACP), programming is not based on National Indicative Programmes but organised around **a one-step process, the elaboration of a Programming Document, which has two components: a) the EU response strategy (Part A) and, b) the Action Document (Part B)**.

Only **one formal Commission decision** is taken to approve each OCT's Programming Document, covering both the strategic orientations as well as the detailed programme design. This means that a Programming Document cannot be adopted before the strategy and an Action Document have been elaborated and formally agreed upon. **Budget support** is the preferred implementation modality for territorial allocations in the OCTs.

OCTs maintain the primary responsibility for the establishment of Programming Documents, including the priorities upon which their strategies are based and ensuring the necessary local consultation. Upon request from OCTs, Technical Assistance has been made available to accompany the OCTs in the programming process, in line with article 81 of the OAD.

Specific guidance has been provided to the OCTs in support of various aspects of the programming process for the 2014-2020 period:

- Detailed **programming instructions** specifically addressed to the OCTs have been drawn up, and have served as a basis to guide the countries and territories. These guidelines include both orientation as well as dedicated templates regarding the different stages for the elaboration of the Programming Document.
- The **EU's Budget Support Guidelines** (Annex 10) include specific, more flexible, guidance on the approval and management of budget support operations in the OCTs.
- In order to promote cooperation between OCTs, ACP/neighbouring countries and Outermost Regions, an **orientation note** was drawn up to encourage common projects funded by the EDF and the European Regional Development Fund (ERDF).

Consultations undertaken

Extensive consultations between OCTs and the European Commission (at both Headquarter and Delegations' level) have taken place since the start of the programming exercise.

The programming exercise for OCTs was launched during the 12th OCT-EU Forum which took place in December 2013, following the adoption of the Overseas Association Decision and the relevant financial framework. The European Commission presented the indicative financial allocations and programming instructions to OCTs and the Member States

⁷ Part Four of the Overseas Association Decision

to which the OCTs are linked, and launched the consultation process in view of an agreement on potential sectors of cooperation.

Since then, the European Commission has actively supported OCTs throughout the entire programming process by funding and/or facilitating the organisation of specific seminars, workshops and conferences in order to allow a reflection on common priorities and objectives.

Building on the outcomes of **two regional OCT conferences organised for the Pacific OCTs** (November 2014) **and Caribbean OCTs** (February 2015), which encouraged regional cooperation with the non-OCTs actors in the area and allowed to advance with the identification by OCTs of the sectors (and sub-sectors) of concentration for the two regional programmes (climate change and biodiversity for the Pacific regional programme, and sustainable energy and marine biodiversity for the Caribbean regional programme), several other **workshops and meetings have been organised in 2016** in order to facilitate dialogue between the different parties involved and advance in the programming process.

Two regional consultation meetings for Caribbean OCTs took place respectively in **February and September 2016**, and allowed to advance with the identification phase of the Caribbean regional programme, whilst **a third consultation meeting** is scheduled to take place beginning 2017 to complete its formulation. In addition, a **workshop for the 11th EDF Thematic programme** took place in **February 2016** and represented the opportunity for OCTs to reach a general consensus on the main priority areas for the two sectors of concentration (sustainable energy and climate change, including disaster risk reduction).

Extensive consultations also took place **among Pacific OCTs**, which allowed to not only advance with the programming exercise but also to reflect on the possibility to make further progress on regional integration, and cooperation with the neighbour ACP countries. In this respect, consultations are on-going to better explore and define possible synergies between the ACP regional programme and the OCTs regional programme in the Pacific region.

Furthermore, the reflection on strategic priorities advanced through the instances of dialogue of the Association established under the OAD. **At the technical level, four tripartite meetings between the Commission, OCT representatives and the Member States to which they are linked were organised in 2016**, offering an opportunity for dialogue between the Commission, the OCTs and Members States' representatives.

In addition a **Partnership Working Party (PWP) on Environment and Climate Change was organised in June 2016** and focussed on the "*Sustainable Energy component*" of the thematic envelope, reaffirming the strong engagement of OCTs in this field. This PWP was organised back to back to and in line with the outcomes of the **2nd Sustainable Energy Summit**, which saw the participation of OCT Energy Ministers, ensuring political endorsement at high level.

At the political level, the **14th OCT-EU Forum of February 2016** – building upon the conclusions of the 13th OCT-EU Forum of 2015 - addressed and allowed to reiterate the mutual commitment on important themes of common interest, such as climate change, and investment and growth opportunities for OCTs and the need for common approaches in the search for solutions, thus feeding directly in the thematic and regional programmes.

In particular, the signing of a **Joint Declaration between the European Union and twenty-two Overseas Countries and Territories on reinforced cooperation in the field of**

sustainable energy⁸ strengthened the links between energy policy commitments of Overseas Countries and Territories and the support that could be provided by the European Union through the resources available via the 11th European Development Fund, and reiterated OCTs' strong commitment to sustainable energy, consistently with the global agreement on climate change reached during the COP21. An engagement that was reconfirmed during the **2nd OCTs' Energy Ministers Summit of June 2016**.

Finally, the **trilateral meetings** between the Commission, the Territorial/Regional Authorising Officers of the OCTs and the Member States to which the OCTs are linked, held in the margin of the 14th OCT-EU Forum, **provided an opportunity to discuss and tackle any eventual issues linked with the programming and implementation of financial resources, and concretely plan the forthcoming steps** with individual OCTs and at the regional level.

Situation in 2016

During 2015 the strategic orientation of the programmes had been established and the concentration sectors proposed for all programmes. On this basis, notable progress has been achieved in 2016, in terms of identification and formulation of the programmes.

In this context, it is worth to recall that the proposed concentration sectors for the territorial allocations are markedly grouped around key themes, which broadly include:

- Environmental issues, climate change, renewable energy and disaster risk reduction (5 of the 16 OCTs, representing 21 % of the total 11th EDF indicative territorial allocations).
- Social development (youth) or employment/professional inclusion and education/vocational training (5 out of 16 OCTs, representing 33 % of 11th EDF indicative territorial allocations).
- Sustainable tourism (3 out of 16 OCTs, representing 26 % of 11th EDF indicative territorial allocations)
- Connectivity and accessibility/digital development (3 out of 16 OCTs, representing 20 % of 11th EDF indicative territorial allocations).

In the case of regional programmes, the relevant proposals for concentration sectors are the following:

- Caribbean: Sustainable energy and marine biodiversity;
- Pacific Ocean: Environment and sustainable management of natural resources. Sub-sectors: a) Climate Change, and b) Biodiversity;
- Indian Ocean: Observation, management, conservation of terrestrial and marine ecosystem;
- Thematic programme (all OCTs): Sustainable use of natural resources. Subsectors: a) Climate Change, including disaster risk reduction, and b) Sustainable Energy.

⁸ Joint Declaration of the European Union and the Overseas Countries and Territories Greenland, New Caledonia, French Polynesia, French Southern and Antarctic Territories, Wallis and Futuna Islands, Saint-Barthélemy, Saint Pierre and Miquelon, Aruba, Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten, Anguilla, Cayman Islands, Falkland Islands, Montserrat, Pitcairn, Saint Helena, Ascension and Tristan da Cunha, Turks and Caicos Islands, British Virgin Islands, Bermuda on reinforced cooperation in the field of sustainable energy

These priorities are aligned to the aim of sustainable development, thus addressing the three pillars of development - economic development, social development and environmental protection, as outlined in the objectives of the Overseas Association Decision.

For territorial allocations, budget support has been proposed as the implementation modality by most OCTs, and in several cases it represents a positive shift away from the project modality previously used, notably for Bonaire, Curaçao, French Polynesia, Saba, Sint Eustatius, and Wallis and Futuna. In this respect, the Commission has supported budget support programmes through regular dialogue, and has also provided *ad hoc* support via Technical Assistance (TA) when needed (i.e. to evaluate the budget support eligibility or included an allocation for Technical Assistance in the 11th EDF programmes to provide capacity building and assist the local administration in implementing the 11th EDF).

2016 saw the full mobilisation of **Technical Assistance** to support National and Regional Authorising Officers in the programming process, in line with Article 81 of the OAD. At the end of 2016, TA contracts or studies to define OCTs' sectoral strategies or to establish OCTs' eligibility for budget support have been established for a total amount of EUR 2.71 million.

At the territorial level, **ten of sixteen programmes** have a consolidated strategy and have passed the **identification phase** (namely Anguilla, Falkland Islands, French Polynesia, New Caledonia, Pitcairn, Saba, Sint Eustatius, Saint Pierre and Miquelon, Turks and Caicos Islands, Wallis and Futuna Islands), whilst **six programmes** have successfully terminated the **formulation phase** (Anguilla, Saba, Sint Eustatius, Saint Pierre and Miquelon, Turks and Caicos Islands and New Caledonia).

Out of those six programmes, four were formally adopted: **i) the Commission Decision on the 11th EDF Programming Document for Saint Pierre and Miquelon was adopted in September 2016**, whilst **ii) the Commission Decisions for the Programming Document of Saba, St. Eustatius and the Turks and Caicos Islands were adopted in December 2016**.

The Programming Document for Saint Pierre and Miquelon has been signed on 13 October 2016 in Brussels by Commissioner Mimica and President Artano. A subsequent mission of the European Commission to Saint Pierre and Miquelon in October 2016 offered a platform for policy dialogue and facilitated the preparation of the documentation of the disbursement of the first tranche of EUR 7 million, which has been paid in December 2016.

At the regional level, the identification phase for the **Caribbean and the Pacific regional programmes** is ongoing.

Building on the progress achieved in 2016, 2017 will therefore be a crucial year for the EU-OCT partnership, with the commitments from both sides of having several other 11th EDF programmes adopted during the first part of the year.

European Investment Bank (EIB)

Under the **OCT Investment Facility**⁹ to finance interest subsidies and technical assistance (EUR 5 million from the 11th EDF funding for OCTs) managed by the EIB, EUR 600 000 have been used for an interest rate subsidy on an operation in Thaiti (French Polynesia).

The OAD also envisages further financing (up to EUR 100 million over the period 2014-2020) by the EIB from its **Own Resources**.

⁹ Established under Annex II C of Council Decision [2001/822/EC](#) with EDF funds to promote commercially viable enterprises.

Under the **OCT Own Resources Envelope**¹⁰, the EIB concluded one loan agreement with New Caledonia in 2015, providing an investment loan of EUR 20 million for the construction of a new hospital to be the leading hospital for the whole territory, replacing four existing hospitals. The project is undertaken in close cooperation with the French Development Agency (Agence Française de Développement). Following the completion of the ratification process for the Guarantee Agreement by all Member States, the loan has been fully disbursed on 1 September 2016.

Looking ahead

Maintaining the impetus throughout 2017 will be crucial for OCTs to efficiently conclude their territorial programming process, and swiftly and effectively progress with the programming of the regional allocation, inter alia through enhanced coordination.

The coming year will also be critical to engage in further reflection concerning the EU development cooperation with OCTs in light of the outcomes of the 11th EDF performance assessment expected for beginning 2017.

¹⁰ A pipeline of two projects for a total amount of about EUR 60 million has been built up in the renewable energy and ICT sectors.